

## *What you need to know about . . .*



Some small businesses across America have sustained substantial economic injury because a key employee is a reservist and has been called to active military duty. Reservists have been called up to support military action, to provide airport security, or for similar reasons.

As a result, some of these small businesses are unable to pay normal operating expenses or payments as they come due. These businesses may qualify for Military Reservist Economic Injury Disaster Loans (MREIDLs) from the U. S. Small Business Administration (SBA).

### **Purpose**

To address financial needs of a small business because a key employee (including an owner/operator) is a reservist and has been called to active military duty.

To provide working capital funds to eligible non-farm small businesses to meet ordinary and necessary operating expenses and debt payments (that they could have met before the loss of the key employee) until the reservist is able to return to the business and normal operations resume.

Loan funds may only be used for operating expenses and for payments on debts until the business recovers, and not for long-term purposes.

### **General Limitations**

1. Loan eligibility is restricted to applicants that can't provide for their own recovery without undue financial hardship. Loans are not available to applicants with the financial capacity to fully fund their own recovery.
2. The program does not cover lost income or lost profits. It does not cover the effects of a general economic downturn, and it does not cover financial problems that existed before the key employee was called to active duty.
3. Loan funds cannot be used to refinance long-term debt, purchase fixed assets, or to expand a business.

### **Area of Eligibility**

Small businesses located in all 50 states, American Samoa, the District of Columbia, the Commonwealth of the Northern Mariana Islands, the Commonwealth of Puerto Rico, the Federated States of Micronesia, Guam, the Republic of the Marshall Islands, and the U. S. Virgin Islands are eligible.

## **Small Businesses**

The Economic Injury Disaster Loan program is limited by law to small businesses. The Military Reservist Economic Injury Disaster Loan program is only for applicants that qualify as small businesses.

SBA defines small businesses in its regulations. SBA has established a size standard for each industry. Each industry's size standard is based on either the number of employees or average annual revenue.

## **Assistance is a Loan**

Because this assistance is in the form of a loan, SBA requires a reasonable assurance that loans can and will be repaid. SBA will review the credit report and will assess the ability to repay a loan from operating income.

## **Essential Employee**

SBA will need to determine that each applicant small business sustained substantial economic injury as a result of ***an essential employee*** (including an owner/operator) being called to active duty in their role as a Reservist. The seven services that make up the nation's reserve corps are: Air Force Reserve, Air National Guard, Army Reserve, Army National Guard, Marine Reserve, Naval Reserve, and the Coast Guard Reserve.

## **Factors NOT Eligible**

1. The business is not small as defined by SBA's size standards.
2. The business has no need for assistance because it is still able to meet its financial obligations as they mature and is still able to pay ordinary and necessary operating expenses, and/or the business and its owners have the resources to meet all needs without undue financial hardship.

## **Other Reasons Why a Small Business Wouldn't Qualify for a Loan**

Here are some examples of reasons why a small business wouldn't qualify for a loan:

1. The business could not repay a loan based on its financial condition before the reservist was called to active duty.

2. The business or its principals had an unacceptable credit history before the loss of the key employee.
3. The business or its principals have an unsatisfied lien to the Federal government.
4. The business or its principals have not filed Federal Income Tax Returns or properly obtained an extension for filing.

## **Loan Terms**

*The principal advantage of an SBA Economic Injury Disaster Loan is the affordable payments possible because of the low interest rate and long term, as needed.*

Interest Rate: The interest rate for this program is 4 percent.

Loan Term: SBA determines the term of each loan in accordance with each borrower's ability to repay. The law authorizes loan terms up to a maximum of 30 years.

Loan Amount Limit: The maximum loan amount is \$1.5 million. However, SBA establishes each loan amount based on the actual economic injury to each business, less any business interruption insurance or other recovery. This limit applies to a business and its affiliates, if any.

Collateral: Loans up to \$5,000 do not require collateral. For loans of more than \$5,000, SBA will require the borrower to pledge collateral to the extent that it is available. Generally, SBA will take a lien on real property. SBA will also require personal guarantees of the business principals. SBA won't decline a loan application because sufficient collateral isn't available, but will refuse to make a loan if the available collateral isn't pledged.

Insurance Requirements: To protect each borrower and SBA, SBA requires borrowers to obtain and maintain appropriate insurance. Hazard insurance is required on collateral. If collateral is located in a special flood hazard area, SBA also requires flood insurance.

## **Deciding Whether to Apply**

SBA encourages small businesses to submit an application if they need help and if they think they might qualify.

## **How to Apply**

**To request an application for the Military Reservist Economic Injury Disaster Loan program, contact the appropriate SBA Disaster Area Office, as indicated below.**

For small businesses located in *Connecticut, District of Columbia, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Puerto Rico, Rhode Island, Vermont, Virgin Islands, Virginia and West Virginia*, either:

1. Call toll-free at **(800) 659-2955** and ask to speak with a customer service representative, or
2. Write to:  
**SBA Disaster Area 1 Office**  
**360 Rainbow Boulevard South, 3<sup>rd</sup> Floor**  
**Niagara Falls, NY 14303**

For small businesses located in *Alabama, Florida, Georgia, Illinois, Indiana, Kentucky, Michigan, Minnesota, Mississippi, North Carolina, Ohio, South Carolina, Tennessee and Wisconsin*, either:

1. Call toll-free at **(800) 359-2227** and ask to speak with a customer service representative, or
2. Write to  
**SBA Disaster Area 2 Office**  
**One Baltimore Place, Suite 300**  
**Atlanta, GA 30308**

For small businesses located in *Arkansas, Colorado, Iowa, Kansas, Louisiana, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah and Wyoming*, either:

1. Call toll-free at **(800) 366-6303** and ask to speak with a customer service representative, or
2. Write to  
**SBA Disaster Area 3 Office**  
**4400 Amon Carter Boulevard, Suite 102**  
**Ft. Worth, TX 76155**

For small businesses located in *Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Washington, the Commonwealth of the Northern Mariana Islands, the Federated States of Micronesia, and the Republic of the Marshall Islands*, either:

1. Call toll-free at **(800) 488-5323** and ask to speak with a customer service representative, or

2. Write to  
**SBA Disaster Area 4 Office**  
**P.O. Box 13795**  
**Sacramento, CA 95853-4795.**

### **Deadline to Apply**

The filing period begins the date the essential employee is ordered to active duty and ends 90 days after the date the employee is discharged from active duty.

### **Documentation Needed to Apply**

The application form is a simple, double-sided document. It lists the information needed. Most of the documentation needed is normal financial information.

**For this program, SBA also needs :**

1. A copy of the essential employee's "orders" for active duty (showing the date of call-up and date released from active duty, if known).
2. A statement from the business owner that the reservist is essential to the successful day-to-day operations of the business (detailing the employee's duties and responsibilities and explaining why these duties cannot be completed in the essential employee's absence).
3. A certification by the essential employee that he or she concurs with the statements in number 2 above.
4. A written explanation and financial estimate of how the call-up of the essential employee for active duty has or will result in substantial economic injury to the business. (Provide monthly sales figures beginning 3 years prior to the call up and continuing through the most recent month available. You may use SBA form 1368R for this purpose).
5. A certification from the business owner that the essential employee will be offered the same or a similar job upon return from active duty.

### **Time to Receive SBA Loan Decision**

**SBA processes applications on a first-come, first-served basis. Generally, SBA tries to reach decisions on applications within 21 days. The most common reason for delay is incomplete information from the applicant.**